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REPORT ON ISSUES AND IMPLICATIONS OF MULTILATERAL TRADE NEGOTIATIONS WITHIN THE GENERAL AGREEMENT ON TARIFFS AND TRADE (GATT), THE LOME IV CONVENTION AND EUROPE AFTER 1992, THE EIGHTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD VIII) ON THE DEVELOPMENT AND EXPANSION OF AFRICA'S TRADE

INTRODUCTION

1. A number of issues need recalling in discussing the implications of external factors on Africa's external trade. There are certain developments, and the fact that African economies continue to seek lasting solutions to many problems, that make it necessary to focus on certain illustrative examples.

2. This brief report begins by acknowledging as part of the background events in the period since the tenth meeting of the Conference of African Ministers of Trade (November 1989). Furthermore, that African countries have undertaken a number of reforms of great significance to their economic and trade systems. It is in order to better appreciate the results of some of these reforms that this report reviews the extent to which changes may have taken place to the region's export commodities composition and diversification of market destinations.

3. Against this background, the report proceeds to assess Africa's future trade prospects, some of the implications likely to derive from the Uruguay Round of Multilateral Trade Negotiations within the General Agreement on Tariffs and Trade (GATT); the current arrangement between the African, Caribbean and Pacific Group of States (ACP) with the European Economic Community (EEC) or Lome IV Convention; the envisaged Single European Market by 1992; and some of the issues that will be the main focus of attention during the eighth session of the United Nations Conference of Trade and Development (UNCTAD VIII) scheduled to meet from 19 September to 6 October 1991 in Punta del Este, Uruguay.

4. The crux of the matter from the African standpoint is whether developments in any of the above can and will contribute to improving the region's external trade sector. The main problem for the African economies and to which solutions must be found is how to lessen their dependence on predominantly exporting primary commodities of agriculture and minerals. Similarly not only how to decrease trade with their non-traditional partners but to diversify the commodity composition to enhance Africa's effective participation in world trade. This is total package of objectives aimed at finding solutions capable of enabling them to diversify the trade structure. A diversification system that would enable Africa, through trade, to increase the export of semi-manufactures and manufactures, processed and semi-processed goods into both the traditional and non-traditional markets, including the former centrally planned industrialized countries of Eastern Europe and other developing countries.

I. THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS

A. Genesis and trends

5. The rationale for the Uruguay Round of Multilateral Trade Negotiations is not the issue, given its clearly stated objectives in the Punta del Este Declaration. However, it is important to merely recall what was stated on this score in 1985, in Brazzaville, during the eighth meeting of the Conference of African Ministers of Trade. That Conference underlined and also acknowledged the significance of these negotiations and their likely implications to the African economies both in the short and long term. Consequently, the Conference passed a resolution calling upon the Executive Secretary of the United Nations Economic Commission for Africa (ECA) in collaboration with the Secretary-General of the Organization of African Unity (OAU) and the Secretary-General of UNCTAD to assist and ensure Africa's effective participation. The resolution then appealed to the United Nations Development Programme (UNDP) to provide resources necessary to enable these institutions respond to anticipated requests of African countries that were to participate in the negotiations.

6. True to its commitment, UNDP in 1987 made available resources to this end. Thus a programme of technical assistance to African developing countries for multilateral trade negotiations (RAF/87/157) was launched in mid-1987 to December 1990. During the second half of 1989, UNDP added an ancillary component, entitled "System for market analysis on trade (SMART)". This project has since its inception undertaken a number of activities aimed at assisting African countries to participate effectively in the negotiations. A number of national and subregional seminars as well as round-tables focusing on all aspects of the negotiations have been conducted. Additional activities under the project included backstopping African delegates during the entire negotiating process itself.

7. The adopted Uruguay negotiating structure pursuant to the Punta del Este Declaration is rather complex. At the top was the Trade Negotiating Committee (TNC) with the mandate of conducting the negotiations. The actual negotiations themselves on trade in goods took place in the 14 individual Negotiating Groups as listed in Part I of the Uruguay Declaration (Tariffs; Non-tariff Measures; National Resources Based Products; Textiles and Clothing; Agriculture; Tropical Products; Review of GATT Articles; MTN Agreements and Arrangements; Safeguards; Subsidies and Countervailing Measures; Trade-related Aspects of Intellectual Property Rights including Trade in Counterfeit Goods; Trade-Related Investment Measures; Despute Settlement; and Functioning of the GATT System). These groups then reported to the Group on Negotiations on Goods (GNG). The fifteenth group dealt with trade in services and was designated as the Group of Negotiations on Services (GNS). The implementation of standstill and rollback commitments on the other hand was monitored by a surveillance body that was established for that purpose.

8. The state of play regarding progress and stages reached in the negotiations, at least up to the end of November 1990 was reported and circulated to all African member States in the Newsletters under the auspices of project (RAF/87/157) on a regular basis. It is not therefore necessary to repeat in detail information already circulated not only to African countries but also to various focal points in each country. Nonetheless, it is important to highlight the joint statement of developing countries as well as African countries, particularly the expression of frustration and disappointment at the lack of substantive results in contrast to the high level of expectation that had been created prior to the meeting. The African Group stressed the need of paying particular attention to the interests of African economies in the final results of the negotiations. Developing countries also emphatically rejected any attempt to impose upon them a prenegotiated package agreed to only by a few.

9. The negotiations were originally launched at Punta del Este in September 1986 and were expected to be concluded four years later, in 1990. The TNC met at ministerial level in Montreal from 5 to 9 December 1988 and carried out a "mid-term review" of progress that had been made in the negotiations. Even before the Montreal meeting, it had become clear that a number of subject areas such as safeguards and clothing and textiles were likely to result in protracted procedural discussions since at the material time, work in these areas had hardly stated. This apart, even for many of the 11 subjects on which agreed texts appeared possible, it was clear that the Montreal decisions had not fully resolved the more confrontational issues. For example, in the case of TRIMS, farm subsidies with wider implications on agriculture.

10. At the time of writing this report, the lack of agreement principally between the United States of America (USA) on the one hand, and the European Community (EC) on the other, on how much agriculture subsidies should be reduced by seemed to threaten the whole negotiating process. The USA called for a reduction of between 75 and 90 per cent of internal support for

export subsidies within a period of 10 years, a range that was also favoured by the Cairns Group. The EC rejected the USA proposal and instead offered to reduce farm subsidies by 30 per cent.

11. It is in the light of the above that these negotiations could not be concluded at the end of 1990 because of open disagreement over the reduction of farm subsidies. The final ministerial Trade Negotiating Committee meeting of the Uruguay Round which was held in Brussels from 3 to 7 December 1990 decided to prolong the negotiations.

12. Many of the problems encountered during the negotiations are quite familiar. Some stem from the formidable challenge of finding long-term lasting solutions to the multilateral trading system but much more daunting for African countries is being sandwiched between the world's economic giants. Over and above, a majority of the African economies are relatively less able to marshall the necessary human resources needed to cope with the myriad intricacies of what these negotiations entail.

B. Concluding observations on the MTN

13. The way these negotiations have been conducted, certain issues need further elaboration before any lessons can be meaningfully drawn. It is important to establish whether and to what extent the envisaged system will be capable of tackling new problems being faced by producers, investors, exporters, importers and consumers. From the African standpoint, the point of reference must surely be how it is likely to cope with such difficult areas as: trade in agriculture products; textiles and clothing; the new areas of services; trade related aspects of intellectual property rights (TRIPS); and trade related investment measures (TRIMS)? Another equally important challenge to the envisaged system derives from experience of marginalization of fragile economies. The question is whether there are signs to indicate that ways and means will be found to maintain and enhance the credibility of the rules to be agreed upon?

14. Perhaps the statement of the Director-General of GATT during these negotiations could better illustrate the above concern: "it is one thing to make rules but quite another to have them observed", a fact which is clearly borne out by events during the whole of the 1980s, a period in which there was a tendency by most industrialized countries to resort to unilateralism and taking arbitrary actions without sparing a thought to the adverse effects on the fragile economies of the international community.

1. Tariffs

15. There can be no better examples of this than what is provided by issues relating to tariffs, trade in agricultural products and trade in natural resource based products. Tariff negotiations have been a raison d'être of GATT. The basic methodological approaches to tariff reductions are now well established and take one or two ways. They are either a multilateral "formula approach" or a "request offer approach". The former allows contracting parties to negotiate tariff concessions collectively or in groups. The latter allows for bilateral negotiations. Results from both approaches, as long as members belong to GATT, are implemented on a most-favoured-nation basis without discrimination. The Punta del Este mandate on "Tariffs" states that:

> "Negotiations shall aim, by appropriate methods, to reduce or, as appropriate, eliminate tariffs including the reduction of elimination of high tariff escalation.

> Emphasis shall be given to the expansion of the scope of tariff concessions among participants."

16. From the African standpoint in this area, the main worry must be the imminent erosion of preferences already granted under the Generalized System of Preferences (GSP). Similarly, the extent of unknown losses to be incurred from its unilateral and non-binding nature as a result of broadening the coverage with the inclusion of areas protected by high tariffs and agricultural products, a situation that is likely to obtain after the Uruguay Round since the average level of tariff duties can be expected to be driven to a minimum.

2. Natural resource-based products

17. On the question of trade in natural resource-based products, the Punta del Este Declaration stated that:

> "Negotiations shall aim to achieve the fullest liberalization of trade in natural resource-based products, including in their processed and semi-processed forms. The negotiations shall aim to reduce or eliminate tariff and non-tariff measures, including tariff escalation."

18. Discussions during negotiations, however, focused attention, among others on: (a) product coverage and (b) interrelationship between work in this group and that of other groups. A difference of opinion emerged between developing countries, on the one hand and certain developed industrialized countries, on the other. The former emphasized product coverage to be limited to products that had been under consideration since 1982 by the GATT Working Party on Problems of Trade in Certain Natural Resource-based Products, in other words, non-ferrous metals and minerals, forestry products, and fish and fisheries products. The latter, on the other hand, among them the USA, advocated an open-ended product coverage and called for the inclusion of energy-based products. As to measures, developing countries proposed the issue of market access for semi-processed and processed products, through a reduction or elimination of tariff and non-tariff barriers, in particular tariff escalation.

3. Agriculture

19. The Punta del Este mandate stated:

> "CONTRACTING PARTIES agree that there is an urgent need to bring more discipline and predictability to world agricultural trade by correcting and preventing restrictions and distortions including those related to structural surpluses so as to reduce the uncertainty, imbalances and instability in world agricultural markets".

20. A further requirement of negotiations in this area was to "aim to achieve greater liberalization of trade in agriculture and bring all measures affecting import access and export competition under strengthened and more operationally effective GATT rules and disciplines, taking account of the general principles governing the negotiations, by:

(i) "improving market access through, inter alia, the reduction of import barriers;

(ii) improving the competitive environment by increasing discipline on the use of all direct and indirect subsidies and other measures affecting directly agricultural trade, including the phased reduction of their negative effects and dealing with their causes;

(iii) minimizing the adverse effects that sanitary and phytosanitary regulations and barriers can have on trade in agriculture, taking into account the relevant international agreements."

21. The crux of the matter is the anticipated possible effects likely to result from the liberalization of trade in agriculture, policy changes by major agricultural trading nations (Australia, Canada, EEC, Japan and the United States of America) on the world markets for products of particular interest to Africa. In other words, assessing the welfare implications, especially for net food-importing African countries. A similar concern expressed relates to trade in tropical products. Perhaps this deserves a separate chapter to be fully appreciated. The list of agricultural products under this scenario consists of cereals (wheat, maize, rice and sorghum), meat (beef and veal), sugar, oilseeds and oils (soya beans and soybean oil, groundnuts and groundnut oil, palm oil and copra), coffee and coffee products, cocoa and cocoa products, tea, tobacco and cotton.

22. Negotiations in the group focused on the underlying problem of agriculture support practised by certain developed countries as a main constraint to addressing the problem of protectionism and export subsidization. Four distinct opposing views arose: (a) the USA advocated total elimination of agricultural support (zero option); (b) the EEC insisted on short-term measures to mitigate export subsidies competition; (c) the Cairns Group (Australia, New Zealand including two Latin American countries, exporters of agricultural products) put forward a comprehensive programme aimed at achieving agricultural liberalization stages; and (d) other developing countries concerned with the likely adverse effects to their economies as a result of price increases in the food imports.

23. In a joint UNCTAD/UNDP/WIDER (UNU) study, a series of models of agricultural markets in five major agricultural trading countries (EEC, Australia, Canada, Japan and United States) were constructed to evaluate the production, consumption and trade effects of specific policy changes.[1] The four scenarios consisted of (a) complete liberalization, implying a reduction of both Producer Subsidy Equivalent (PSE) and Consumer Subsidy Equivalent (CSE); (b) a reduction in producer price support by 20 per cent; (c) elimination of export subsidies; and (d) increase in imports of each product by 10 per cent in each of the above five principal markets.

24. While the above study cautions against liberal interpretation of its findings, but the simulations provide good meat for thought. For instance and assuming all things being equal, "among the grains, it is the world price of rice that increased the most when policy change consists of reducing support to producers either by complete liberalization or by a 20 per cent reduction in the producer support price". However, if only export subsidies are eliminated (domestic support systems remaining in place) wheat has the biggest price increase, followed by beef and rice, while the increase in world sugar and maize prices would be only marginal. For vegetable oils and tropical products, the price impact of complete liberalization and reduced domestic support is relatively small.

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1 See United Nations, Agricultural Trade Liberalization in the Uruguay Round: Implications for Developing Countries, Joint UNCTAD/UNDP/WIDER (UNU) Study, UNCTAD/ITP/48, New York, 1990.

25. Other conclusions can be drawn from these models to underline or reflect the fact that border measures and internal taxes are the principal forms of market intervention for most tropical products in the five countries.[2] Thus, prices rise when tariffs and internal taxes are eliminated because consumption increases in those countries and generates an increase in world demand. The greatest rise in tropical products prices would seem to occur under the assumption of an increase in imports by 10 per cent whether through quota increases or otherwise.

26. Nonetheless, it should also be mentioned that there are a number of other factors that prevent developing African agricultural exporters to derive some of the benefits that are normally expected in such circumstances. Not least of these is Africa having to compete with the more efficient producers. Second, there are no indications that the financial outlay which would be saved from reducing subsidizing PSE and CSE would be invested in the African agricultural sector. The models have also alluded to the fact that liberalization of agricultural trade and the elimination of subsidies could result in increased burden on importing developing countries, especially the African net food importers due to possible price rises. Over and above the principle of incorporating the developmental aspect for Africa's agriculture as well as differential treatment of developing countries seems not to have received due consideration. In other words, much will depend on the mechanism to be established to exempt the African economies in this area.

27. When these considerations are put together with the issue of market access, the likely outcome of the Uruguay Round regarding agriculture, evaluation of current efforts of tariff concessions on tropical products, indications are such that African countries in general, will be net losers.

4. Functioning of the GATT system

28. The sustenance of negotiated results in each of the 14 groups will, to a large extent, depend on how the functioning of GATT system evolves. In other words, it is relatively easy to make rules but quite a different question it when comes to implementing them. The letter and spirit of the Punta del Este mandate regarding the envisaged functioning of the GATT system is aimed at developing understanding and arrangements with a view to:

(a) Enhancing the surveillance in the GATT to enable regular monitoring of trade policies and practices of contracting parties and their impact on the functioning of the multilateral trading system;

(b) Improving the overall effectiveness and decision making of the GATT as an institution, including, inter alia, through involvement of Ministers; and

(c) Increasing the contribution of the GATT to achieving greater coherence in global economic policy-making through strengthening its relationship with the other international organizations responsible for monetary and financial matters.

29. Notwithstanding a number of divergences among the negotiating parties, an appearance of convergence was observed regarding having a trade policy mechanism that would contribute to

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2 The European Economic Community (EEC) is taken as a single market for the purpose of the analysis.

improved adherence by all contracting parties to GATT rules, disciplines and commitments by requiring each contracting party to report regularly to the contracting parties. What is envisaged for instance is that the policy review mechanism would replace the Special Council meetings that were established under paragraph 24 of the 1979 Understanding Regarding Notification, Consultation, Dispute Settlement and Surveillance.

30. What should not also be overlooked is the fact that the GATT as presently constituted is a mere de facto not a de jure "legal informal arrangement of Contracting Parties". Indeed, it has a legally constituted secretariat. It dates back to the signing of an Interim Agreement in 1947. It would have emerged as the International Trade Organization (ITO) comparable with the other Bretton Woods institutions (IMF and IBRD) had the United States Senate ratified the 1948 Havana Charter. The issue then is how to transform the GATT into a legal and effective body capable of binding and regulating trade matters.

31. Earlier attempts to get round these problems include steps taken by Contracting Parties to introduce a number of separate agreements that are now referred to as GATT Codes. Experience has however shown that since these "Codes" came into force, membership has varied and in some cases, rather limited to only a few contracting parties.

32. If the current developments are any guide, the future GATT structure will not exclusively deal with issues of trade in goods. It will include many new areas like trade in services. What is most important from the African stand point will be the extent of the impact these developments will have on the region's trade prospects in the 1990s and beyond. However, it is unlikely that the GATT negotiating structure will abandon its bilateral approach to totally embrace multilateralism. Africa will need time and considerable resources to acquire sufficient economic muscle so that it can negotiate on equal footing with other contracting parties in the Green Room. The examples cited above are but a few reference points, which developing African economies will wish to bear in mind when evaluating their trade prospects in this area should the Uruguay Round negotiations be concluded.

II. LOME IV CONVENTION AND EUROPE AFTER 1992

A. Lome IV Convention

33. The other area of concern is the impact of the Lome IV Convention, especially likely changes of attitude by EC partners after 1992. There is a very close relationship between what is described in the preceding chapter on the expected impact of the outcome of the Uruguay Round of Multilateral Trade Negotiations on the one hand, and issues pertaining to the Lome IV Convention and "Europe After 1992", regarding their impact on Africa's future trade prospects. Both have direct and indirect short-, medium- and long-term implications. For one thing, Africa's trade takes place within the framework established on the basis of the GATT codes and rules. Secondly, the 12 European Economic Community (EEC) countries are Africa's major traditional trading partners. They also account for the bulk of Africa's exports and imports (see table 1 and 2).

34. Furthermore, the EEC plays a very significant role within GATT. It is capable in many ways to strife or facilitate and guard Africa's trade and economic interests, by positively influencing the course of events at its own behest. The recent disagreement with the United States of America on the issue of reduction of farm subsidies during the Uruguay Round is sufficiently illustrative of

EC's economic muscle within GATT and world trade in general. Fourthly, trade liberalizations measures agreed within GATT and preferences offered by EEC to African countries within the context of the Lome IV Convention relate to obligations of EEC to the GATT provisions. Similarly, the GATT articles can not arbitrarily brush aside the former. These factors combine to indicate the significance of these issues and their implications to prospects or lack of prospects in expanding Africa's future trade.

35. A more detailed account leading to and the conclusion of the Lome IV Convention was provided by the secretariat in a briefing note entitled "The fourth ACP-EEC Convention: New principal features and their relevance to Africa's development"[3] in May 1990 to the eleventh meeting of the Technical Preparatory Committee of the Whole, and subsequently to the ECA Conference of Ministers.

36. The Lome IV Convention entered into force in March 1990 for a period of 10 years but subject to review after five years. Some provisions in the Lome IV Convention differ from its predecessors. They stem in part from the fact that negotiations started against a rather gloomy world economic environment, a gloominess that exacerbated Africa's external sector because the debt burdens of the region's economies increased and worsened, balance-of-payments deficits were the order of the day, foreign exchange shortfalls and overall declines in commodity earnings. Second, the momentum for establishing a Single European Market in 1992 had gathered pace with unknown likely implications on future ACP-EEC relations. Thirdly, political changes towards market-oriented economies were taking place in the formerly centrally planned economy countries of Eastern Europe which also added great uncertainties as to how the EEC would re-design its trade and aid policies in responding to those developments at the expense of its Lome IV Convention Partners. Fourthly, superimposed on these developments was the launching of the Uruguay Round of the Multilateral Trade Negotiations that sought to further liberalize trade.

37. The basic structure of Lome IV Convention as stated in document E/ECA/CM.16/31/Rev.1 is similar to its predecessors, except for certain changes incorporated to take account of the new dimension in ACP-EEC relations. Lome IV affirms an existing understanding between the ACP on the one hand and the EEC on the other, to strengthen traditional economic and trade relations within the context of a legally binding system supported by established institutions underwritten by a financial package.

38. What is envisaged and hoped for in this particular case is that through implementing the provisions, protocols, articles and annexes of the Convention stress that:

(a) Development would be based on a sustainable balance in the context of agreed economic objectives, the rational management of the environment and the enhancement of natural and human resources (Article 4);

(b) Co-operation would be directed towards man-centred development as the main protagonist and beneficiary of such development, including respect for and promotion of human rights (Article 5);

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3 See document E/ECA/CM.16/3/Rev.1

(c) The attainment of more balanced and self-reliant economic development of the ACP States requires recognition with special efforts made to promote rural development, food security and strengthening of agricultural production in the ACP States. Priority is also given to environmental protection and the rational management and conservation of natural resources (Article 6);

(d) Special importance and high priority be accorded to regional co-operation and integration, requiring the Community to offer effective support to groups of ACP countries in their efforts towards co-operation and integration (Article 7);

(e) The Convention aim at environmental protection, the conservation of renewable and non-renewable resources and control of drought, desertification and deforestation. By the same token, the Community agreed to undertake specific measures to assist with efforts to control locusts, preserve tropical forests, protect water resources and promote better balance between the urban and rural areas (Article 7);

(f) Industrialization is fully recognized as a driving force in development as complementary to agricultural and rural development. A necessary prerequisite in enhancing productivity and the competitiveness of ACP economies in world trade (Article 17) as also amplified in paragraph 40 here below;

(g) The high dependence of many ACP States on primary commodity exports is not only fully recognized but that the new co-operation framework is intended to enhance both horizontal and vertical diversification of the ACP economies, especially through the development of processing, marketing, distribution and transportation in trade with a re-organization and rationalization of the above activities in the ACP States (Article 18);

(h) Popular participation in development is recognized as an important element in any development strategies. Accordingly, support is to be given to decentralized public authorities, rural and village groupings, co-operatives, firms, development organizations and various associations in their efforts to contribute towards the development of ACP States (Article 20);

(i) Support for structural adjustment efforts in the ACP countries as a new dimension of the Lome IV Convention envisages within the framework increased trade between the contacting parties, attenuates external debt, self-reliant development through the adaptation and transformation of technology; access to capital markets and private investment, and the achievement of stability in commodity export earnings (Article 23).

39. To illustrate some of these changes, the report cites a few persistent constraints. One constraint blamed for Africa's inability to fully exploit the Lome III Convention provisions to increase or expand exports into the EEC is said to be a lack of surplus exportables.

40. Perhaps it is in recognition of this handicap that Lome IV in Articles 77-98 provides for industrial development of ACP States. The strategy creates interlinkages with such other major sectors as agriculture, rural development, manufacturing, mining, energy, infrastructure and services. The main features of the provision include: support for the establishment of new industries to supply local markets in a most cost-effective manner and to ensure the growth of the non-traditional export sector; special focus on manufacturing and processing of primary products; enhancement of engineering, metallurgical and chemical industries; industrial rehabilitation and

capacity utilization; the establishment and strengthening of industry-related scientific and technical infrastructure; identification of practical opportunities for industrial cooperation between the ACP and the European Community; and special measures for the least developed, land-locked and island ACP countries to establish the basis for industrialization.

41. What are likely to be the full implications of Lome IV can not be answered at this early stage of its life. Some of the answers will depend on how the objectives enshrined in the Articles, Titles, Protocols and Annexes of the Convention will be implemented. The other side of the coin of these implications is the Convention's ability to respond and counter many of the adverse effects indicated in paragraphs 37, 39 and 40 as well as adjust to fall outs of the Single European Market after 1992.

B. Europe after 1992

42. Of the many areas of apprehension by the African economies referred to in paragraphs 37 and 39 above, none is so difficult to assess as the impact of the Single European Market by 1992. The fortunes of future ACP-EEC relations although assured by pronouncements of EEC statesmen is still cloudy. Many are yet to be fully convinced that Africa's future partnership will continue to be rosy! Implications of this action on non-member EEC countries including ACP states has since become a major topic of discussion in a variety of fora, the world over.

43. Each national legislature of the Community approved the Single European Act 1987 is conclusive proof that the EEC States had committed themselves to the formation of a Single European market without internal frontiers by the end of 1992, an action that could only have been taken in the interest of the EEC first and foremost. It is natural for all non-EEC countries to expect that with the completion of the single market, the Community will improve its productivity and competitiveness, and hence the economic growth and welfare of its member States.

44. Drawing on some researched material commissioned by the secretariat of the United Nations Conference on Trade and Development (UNCTAD), certain conclusions about other likely adverse implications of these developments on Africa's trade prospects emerge and reinforce those earlier revealed. The primary objective was not intended to hurt developing African countries per se. On the contrary, "potentially" as is stated in the Trade and Development Report, 1990, "trading partners (could) benefit from the creation of new trade, particularly if the process of European integration is accompanied by the strengthening of multilateral system. (If that were) not the case, trading partners could suffer important setbacks as a result of trade diversion".[4]

45. In underlining further this point, the report states that even in the absence of new barriers against non-members, "the Community is likely to increase output at the expense of some previously imported goods, owing to the reduction in cost and prices arising from the removal of trade and customs control procedures within the Community and to longer-run dynamic effects such as economies of scale in production and distribution, the stimulus from stronger competitive pressures, and the larger inflow of foreign investment into imports competing sectors".[5]

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4 United Nations, Trade and Development Report, 1990, United Nations Conference on Trade and Development, Geneva, 1990, p.80.

5 United Nations, ibid, p.80.

46. There is nothing new in restating the considerable importance of the EEC as a market to African economies particularly as a single most important export destination. Over the years however, and despite the trade preferential treatment Africa and the other ACP States enjoy, they have been losing their share of the EEC market to non-preferential enjoying countries. Many reasons have been advance to show why this is so. The reasons include, in part, the ACP's and particularly Africa's limited supply capabilities. Another reason is a result of fall in commodity prices to which EEC demand has contributed so that even with increased export volume the value earned is relatively less than otherwise. The list of causes also includes the fact that EEC's trade preferences and import restrictions with all developing countries are rather complex. For instance, duty-free access for ACP exports of manufactures and for most agricultural products under the successive Lome Conventions excludes products covered by the EEC's "sacred cow" called Common Agricultural Policy (CAP).

47. Worth mentioning also is the fact that prior to the recent enlargement of the Community (with the addition of Portugal and Spain), North African countries constituting the Mediterranean zone enjoyed more privileged access to the EEC market than even these two Iberian countries (Portugal and Spain). It is therefore not inconceivable that, as a result, Mediterranean African countries will, with the coming into force of the Single Europe Market, have to compete on equal footing and may indeed be adversely affected in terms of their traditional exports into the EEC.

49. There are many other questions to which there can be no ready answers in terms of both positive and negative impact on Africa's trade prospects as a result of the single market in Europe. What is certain, however, is that a unified European market will have unified import rules towards third countries, including ACP countries, notwithstanding having to accommodate the provisions of the Lome IV Convention which will still have to run its lifespan. It is also quite likely that gaining access to the unified market could dependent on the fulfillment of reciprocal demands. Not least of anxieties among the African countries is the possibility of linking such access with "good management" and good human rights records.

49. Trade liberalization policies pursued by EEC in the context of the Uruguay Round as shown with regard to tropical products and envisaged in the unified European market could unfavourably affect ACP exporters of semi-processed and processed agricultural and tropical products as well as semi-manufactures and manufactures.

III. EIGHTH UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT (UNCTAD VIII)

50. Africa's external sector activities and fora with both a direct or/and indirect impact on Africa's trade prospects are quite numerous. The examples given in the two preceding chapters clearly illustrate this point. Implications from these and other similar events can be in stages or levels and/or together. They can also occur either concurrently and/or consecutively. Attention in this chapter is focused on implications of world economic interactions that relate to activities and decisions taken within the framework of the United Nations Conference on Trade and Development (UNCTAD).

51. UNCTAD was established by resolution 1995 (XIX) of the United Nations General Assembly to address developing countries' trade and development issues. It was recognized from the outset that these issues could only be meaningfully addressed on a sustainable basis if developing countries were joined by the rest of the world community. Thus 1964 saw the

convening of the first session of the United Nations Conference on Trade and Development (UNCTAD I). The session covered almost every conceivable socio-economic and trade related issue. Thereafter, these sessions have been held at four yearly intervals, except between UNCTAD VI and UNCTAD VII when the interval was three years. The length of each of these sessions has since been considerably shortened from the original three months to about three weeks. Furthermore, successive UNCTAD sessions have tended to address a specific theme. For instance, the theme adopted for UNCTAD VII (1987) had been "to revitalize development, growth and international trade".

52. The consensus that was reached at the end of the Conference was embodied in what the Conference adopted as the "Final Act of UNCTAD VII". Apart from detailing the consensus, the Final Act of UNCTAD VII provides findings and implications based on its assessment of relevant economic trends and global structural changes intended to be a guide in formulating policies and measures in the areas that were covered by the Conference agenda. The Final Act is also a source of information on some broad orientations for the future, including giving a new impetus to the work by governments and the secretariat in several key areas of activity.

53. Perhaps had all the concerns that were address by UNCTAD VII and reflected in the Final Act been fully implemented, the holding of UNCTAD VIII would have devoted more time to consolidating the gains. Alternatively, UNCTAD VIII would have been convened to break yet more new ground. How one judges the results of UNCTAD VII is part of the work which is better left to the floor of UNCTAD VIII itself. To a large extent, however, work in the various Permanent Committees of UNCTAD, the various sessions of the Trade and Development Board (TDB), by the various secretariats and governments during the intervening period would seem to suggest some of the main departure points for this assessment.

54. This is why it is not necessary to go into any greater detail on any of the above issues in the present report. A separate report by the secretariats of the Organization of African Unity (OAU) and the United Nations Economic Commission for Africa (ECA) is available, specifically focusing attention on UNCTAD VIII. Nonetheless, "UNCTAD's relevance to Africa" in the past, at present and in future "will be assessed by Africans not only on the basis of the organization's achievements in relation to global policies, but mainly by concrete benefits which the region can expect from the results".[6]

55. This is one reason among many for spotlighting some of Africa's main concerns. Similarly why Africa feels the need to continue its participation in further UNCTAD deliberations. Africa is primarily propelled by expectations of possible amelioration of causes of its deteriorating economies. Part of the background also is the sum total of world economic events in the aftermath of UNCTAD VII. Implications of which Africa as a continent can not tackle single-handedly. Not that trade offers all the solutions but trade is Africa's engine of economic growth and development and any forum where this matter is pursued can not be ignored, except at the region's own peril.

56. Since the 1970s, Africa's trade performance (domestic, intra-African and international) has been rather disappointing. The region's share of world trade dropped from about 4 to about 2 per

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6 See Alex Ashiabor, "UNCTAD's Agenda for the 1990s: The Issues for Africa", in Regional Perspectives, IDS Bulletin, 1990, vol. 21, No. 1, Institute of Development Studies, Sussex, p.61.

cent between 1970 and 1988. The collapse in the prices of many agricultural and mineral primary commodities of export interest to Africa has not helped but rather worsen the overall situation. The prices collapsed in 1981 to the lowest known levels in 50 years and have never really recovered since then. The recent breakdown in the negotiations of international commodity agreements (ICAs), particularly those covering coffee has aggravated the situation further. The consequence is that Africa's world trade position has tended to be marginalized despite considerable efforts made by African Governments to strengthen their bargaining position in international negotiations.

57. In order to mitigate some of these adverse trends, governments in Africa either on their own and/or with the support of subregional, regional and global institutions have attempted certain corrective measures. These measures have included the establishment of various subregional and regional trade and economic co-operation institutions. A disturbing feature however is that despite the existence of so many African trade facilitating institutions, Africa's trade is still relatively low-keyed and continues to be characterized by lopsided distribution. Marketing policies are constrained by serious shortages and an inability to adapt science and technology which would have given trade development the needed impetus.

58. Consequently, some of the apprehensions shown about what could become of the Lome IV Convention with the emergence of single Europe after 1992 as well as the near collapse of the Uruguay Round highlight the significance of other fora to deserve serious consideration. The theme and the five agenda items proposed offer yet another opportunity for the international community, especially in the light of other developments, to discuss these issues constructively.

1. What UNCTAD VIII has to offer

59. The eighth session of the United Nations Conference on Trade and Development (UNCTAD VIII) is scheduled to be held in Punta del Este, Uruguay from 19 September to 6 October 1991. UNCTAD VIII's theme and agenda were only finally decided upon at the thirty-seventh session of the Trade and Development Board in October 1990.

60. UNCTAD VIII has as its unifying theme: "strengthening national and international action and multilateral cooperation for a healthy, secure and equitable world economy". Within this context, the Conference will undertake an "evaluation of challenges and potentials presented by long-term structural changes for sustainable development and expansion of international trade in an interdependent world economy". Underlining the objective also is "promoting economic growth, technological capabilities and accelerated development in the developing countries, adoption of sound national and international policies and measures, good management and structural reforms in both developed and developing countries to achieve the effective and efficient allocation, use and mobilisation of human and economic resources and a more favourable international economic environment". Towards this end, issues in the following interrelated areas are to be addressed as departure Conference agenda items: (a) resources for development; (b) international trade; (c) technology; (d) services; and (e) commodities.

61. This is neither the time nor place to go into greater detail on these issues since as stated a little earlier, a separate issues paper will be before the Conference of African Ministers Responsible for Trade Preparatory to UNCTAD VIII. Analysis and discussions of these issues will also need to take account of the work under the auspices of the established Group of 77 (G.77) Preparatory Committee.

62. Implied by the agreed stance to incorporate the concept of sustainable development into the envisaged UNCTAD VIII forum is that it must be reflect in all analytical work pertaining to areas of trade, technology and finance for development. This interpretation is based upon the shared view of all countries that "an integrated perspective of both environment and development is crucial...to make headway in efforts to achieve sustainable development and to tackle the root causes of poverty and environmental degradation."[7]

63. Among some of the issues that Africa needs to focus attention on and the ones needing careful preparation of a strong bargaining position both within G.77, and with other UNCTAD groups, apart from the five agenda items include: implications of interdependence; debt; enhancing support for economic co-operation among developing countries (ECDC); and what form of trade relations should evolve with former socialist countries of Eastern Europe who can no longer be treated as a separate item. There is also the question of what type of UNCTAD to expect in case the Uruguay Round negotiations succeed in transforming the GATT into both a de facto and de jure multilateral trade organization of the United Nations.

2. Africa in the context of G77

64. Ever since the emergence of the Group of 77 in 1964, developing countries drawn from the regions of Africa, Asia and Pacific, as well as Latin America and the Caribbean have always adopted a common platform vis-à-vis other Groups (Group B, Group D and China) on all UNCTAD session agenda items. The approach of the G77 as has so evolved allowed each region to meet separately in its own chosen regional location to adopt its own specific region position. These positions were then harmonized at what are called the Ministerial Meetings of the Group of 77, preceding the session of UNCTAD. A precedence has also been set where the Head of State and Government in the country in which this G77 consolidating meeting takes place therefore tables the G77 position to the envisaged UNCTAD session.

65. Another new development over the recent past, has been the emergence of the a G77 Preparatory Committee (Prepcom) and the way it is constituted. Membership of the Prepcom is drawn from G77 developing countries with delegations based in Geneva. Chairmanship for the one that preceded UNCTAD VII was reposed into Africa, represented by the United Republic of Tanzania. The composition of the Prepcom for UNCTAD VIII is chaired by India representing Asia, supported by Cameroon (Vice-Chairman) representing Africa, and Jamaica (Vice-Chairman) representing Latin America and the Caribbean.

66. The work of the Prepcom in Geneva is supported by UNCTAD secretariat which for quite a time has maintained a liaison staff to this end. A tentative programme of work indicates and takes account of: (a) the sixth Ministerial Meeting of the Group of 77 will meet in Pyongyang, North Korea from 2 May 1991 and that concluding harmonization of the G77 position must be before beginning of June 1991; (b) draft Prepcom suggestion papers on UNCTAD VIII agenda items are expected to be available to regional groups from about the end of January 1991; (c) the

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7 See TDB decision (TD/B/XXXVII)/SC.1/L.5. Operative paragraph 1 states "Decides that the objective of sustainable development, particularly the reduction of poverty, should be incorporated into all areas of UNCTAD's work...the respective committees...should consider activities in relation to sustainable development in the context of their work programme in the light of this decision".

Asian region is scheduled to hold its regional meeting a week before the G77 sixth Ministerial Meeting in Pyongyang, North Korea; (d) the month of June 1991 is reserved for intensive consultation and finalization of Group positions in Geneva.

67. Consequently, developing Africa needs to bear some of these facts in mind in its preparation for participation in both the sixth Ministerial Meeting of G77, and subsequently UNCTAD VIII. Similarly, whatever issues may need referring to the joint ECA/OAU secretariat as well as the Preparatory Committee of G77 must take this time factor into account.

IV. CONCLUDING THE ISSUE OF IMPLICATIONS TO AFRICA'S TRADE

68. The preceding analysis has attempted in a nutshell to highlight some of the issues and fora wherein implications to Africa's trade derive and are frequently raised. Granted, focus has been on multilateral economic and trade relations at the global level. However, this is not to imply a neglect of the indispensable role of complementary national actions. It is a well- established fact that without action at national level, the ones at global, regional, subregional and bilateral levels would be rather ineffective.

69. ifficulties encountered in assessing implications in matters of multilateral negotiations as given in chapters I, II and III above also apply even to such straight-forward yardsticks as market access. The same would be true under the Lome IV Convention regarding its market access provisions despite having a financial package in favour of ACP countries. For example and as stated earlier, Africa has been losing its market share with all its duty-free entry provisions for such exports into the EEC. Similarly, the liberalization that is so strongly advocated in the Uruguay Round not only calls for a wider product coverage, but some of those products are the ones in which Africa already enjoys GSP concessions. The end-result could therefore be an erosion of preference both in terms of the GSP and on tropical and agriculture products under Lome IV.

70. The coming into effect of single Europe in 1992 while it will expand the European market is likely on the other hand to certainly lessen Africa's export prospects for non-primary commodities. The entry of former socialist countries of Eastern Europe into the market economy camp could have other unquantifiable adverse implications for Africa's trade with traditional trade partners. For instance, Western European countries were able to mobilize thousands of millions of US dollars in a few months and set up a bank in London for the purpose of supporting the economies of Eastern European countries as soon as the latter "cried wolf" or simply declared the intention to join the former's group. And yet, Africa has been asking for similar treatment for a relatively long time but only a trickle of assistance has so far been extended by the Western industrialized countries.

71. There are several ways of appreciating some of these implications. One of the ways is whether these multilateral negotiations with the North, in which Africa has been involved might be to review trade flow statistics in the period in question against comparable past periods?

72. Africa's motor of growth as well as development in the past as is likely to be the case in the immediate future will be agriculture, because of its vast multiplier effects. Agriculture impacts economically on employment, manufacturing, construction, transport, consumption including influencing the import of food and other industrial raw material inputs, as well as on other sectors of the economy. This is putting aside the fact that prospects for agriculture output in Africa tend to be highly unpredictable because of climatic factors, in other words, highly rain-fed dependent.

73. In the period of the 1980s taking the Lome Convention as an illustrative example of multilateral development that was supposed to have cushion the suffering of the African economies, the opposite seemed to have happened. The vulnerability of the African countries to the external environment, notably to movements in commodity prices compromised the ability of many African countries to implement envisaged reforms programmes for recovery. It was not only due to fluctuations in production and prices on the world markets but also falls in demand. Africa's total exports to the world (see table 1) dropped from nearly $US 95.0 billion in 1980 to about $US 55.3 billion in 1988. The lowest drop was in 1986 at about $US 47.0 billion. Common sense would have wished Africans to assume that Africa's exports to EEC in view of the existing partnership through the Lome III and Lome IV Conventions would have provided a major cushioning effect by maintaining a near 1980 level, at about $US 40,628 million. On the contrary, Africa's total exports to the EEC fell to $US 27,050 million in 1986 before rising to $US 29,821 million in 1987 and to $US 30,013 million in 1987.

74. Africa's import trends in the period 1980 to 1988 reflect the region's export earning capacity. Africa's imports trends unlike exports are not a result of multilateral negotiations and therefore not due to liberalization of trade. When Africa earned about $US 95.0 billion in 1980, it imported from the world about $US 83.0 billion. However, as the region's export earnings from commodities fell, except for the few oil exporters, so did total imports fall. Thus as table 2 shows, Africa's world imports were about $US 63.6 billion in 1985, about $US 60.5 billion in 1986, about $US 63.4 billion in 1987 and about $US 68.8 billion in 1988. Africa imported more than revenue earned from its total exports for a variety of reasons. One of these is due to the inclusion of imports by the region's oil exporters whose export commodity enjoyed a higher price and therefore stronger purchasing power. Second, a majority of African countries had been able to acquire export credit from their respective suppliers.

75. It is indeed difficult to be categoric about many of the implications on Africa's trade regarding these multilateral development. But that they certainly have implications can not be denied. This is clearly borne out by the fact that hitherto, most African countries tended to maintain only nominal membership in the GATT. However, beginning with the Tokyo Round and now the Uruguay Round of Trade Negotiations, many African governments have shown much more active participation in the actual rule-making entailed by these negotiations. An awareness which is partly built on experience gained by most of them from working in the frontline within UNCTAD. Over and above, an awareness that Africa has separate trade interests from other developing countries which only Africa can protect.

76. The analysis has highlighted issues, implications and drawn lessons regarding the effects of multilateral actions on Africa's trade. The analysis is not exhaustive but rather illustrative of major areas of concern. The next logical step in all this must be to draw up strategies capable of being implemented in this field in the 1990s and beyond. In this connection, document "Strategies for Revitalization, Recovery and Growth of African Trade in the 1990s and Beyond" (E/ECA/TRADE/89/25/Rev.4) ought to constitute a pertinent and timely African reference point in discussing these matters at national, subregional, regional and international or global levels.

Table 1. Africa's exports by commodity classes
(in million $US) (FOB)

Year	World	Developing market economies	EEC	Developed market economies	Africa	Centrally planned economies
			SITC 0-9			
1980	94942	11788	40628	79577	2978	2783
1985	59263	8310	31925	47618	2949	2640
1986	46829	7086	27050	36166	2821	2773
1987	51967	7260	29821	41580	3030	2433
1988	55302	9218	30013	41854	3661	3137
			Food, beverages and tobacco (0 and 1)			
1980	9429	1347	5040	7047	727	941
1985	7508	1516	3791	5358	767	605
1986	8967	1250	5558	7142	739	513
1987	8635	1279	5131	6679	786	620
1988	9455	1447	5587	7334	856	568
			Crude materials (2 and 4)			
1980	6958	670	3810	5540	292	642
1985	4837	913	2253	3445	313	460
1986	4654	865	2588	3253	356	497
1987	4469	859	2566	3289	341	485
1988	5441	1117	2775	3672	407	611
			Animal and vegetable oils, fats and waxes (4)			
1980	347	27	308	319	21	0
1985	225	52	164	169	25	4
1986	217	50	136	146	34	13
1987	223	27	164	176	20	11
1988	270	45	203	215	29	0
			Mineral fuels and related materials (3)			
1980	71778	8558	27945	61911	1219	920
1985	41427	4232	23357	35380	1009	1214
1986	26222	3106	15380	21229	765	1259
1987	29437	3079	17346	25302	874	534
1988	28149	3685	15507	22985	1055	758
			Chemicals (5)			
1980	8901	395	240	327	131	71
1985	1153	588	362	442	203	117
1986	1404	725	464	497	257	178
1987	1621	780	596	652	241	183
1988	2605	1194	1004	1102	313	300

Table 1 (cont'd)

Year	World	Developing market economies	EEC	Developed market economies	Africa	Centrally planned economies
			Machinery and transport equipment (7)			
1980	337	98	208	231	87	2
1985	369	175	152	185	160	5
1986	504	251	214	246	194	3
1987	552	216	278	330	194	3
1988	753	338	336	462	294	7
			Other manufactured goods (8)			
1980	4968	551	2963	4067	397	206
1985	3708	807	1920	2647	457	219
1986	4774	870	2695	3529	529	314
1987	6783	1004	3779	5119	574	597
1988	8474	1391	4628	6100	727	882

Source: United Nations, Monthly Bulletin of Statistics, vol. XLIV, No. 5, May 1990.

Table 2. Africa's imports by commodity classes
(in million $US) (FOB)

Year	World	Developing market economies	Developed market economies	Africa	Centrally planned economies	EEC[8]
			SITC 0-9			
1980	84366	13131	65739	2978	5496	43075
1985	63625	13014	45729	2949	4883	29232
1986	60524	11847	44108	2821	4570	31839
1987	63413	12321	45324	3030	5760	32274
1988	68703	14600	48307	3661	5802	33973
1989	...	...	...	...	...	33696
			Food, beverages and tobacco (0-1)			
1980	12093	2291	9016	727	786	
1985	10630	2240	7534	767	855	
1986	9553	2185	6095	739	673	
1987	9385	2120	6568	786	697	
1988	10510	2435	7484	856	591	
			Crude materials (excluding fuels) (2 and 4)			
1980	4785	1032	3389	292	364	
1985	5139	1537	3130	313	472	
1986	4272	1483	2307	356	482	
1987	4129	1165	2589	341	376	
1988	4862	1646	2967	407	248	
			Mineral fuels and related materials (3)			
1980	7825	4987	2646	1219	192	
1985	6230	4361	1404	1009	465	
1986	4884	3368	1211	765	305	
1987	5080	3356	1312	874	413	
1988	5099	3635	1132	1055	333	
			Chemicals (5)			
1980	6629	318	5913	131	399	
1985	5482	536	4711	203	235	
1986	5673	633	4818	257	222	
1987	6253	668	5349	241	236	
1988	6698	785	5682	313	232	

[8] United Nations, Monthly Bulletin of Statistics, vol. XLIV, No. 6, June 1990.

Table 2 (cont'd)

Year	World	Developing market economies	Developed market economies	Africa	Centrally planned economies	EEC[9]
			Machinery and transport equipment (7)			
1980	31592	1787	27864	87	1940	
1985	22125	1973	18580	160	1571	
1986	21678	1581	18458	194	1639	
1987	21906	1666	18492	194	1748	
1988	23495	2201	19616	294	1678	
			Other manufactured goods (6 and 8)			
1980	20866	2565	16748	397	1553	
1985	14130	2567	10619	457	944	
1986	14305	2889	10496	529	920	
1987	14350	3405	10977	574	968	
1988	4140	11616	727	1045		

Source: United Nations, Monthly Bulletin of Statistics, Vol. XLIV, No. 5, May 1990.

[9] United Nations, Monthly Bulletin of Statistics, vol. XLIV, No. 6, June 1990.